



# COMMONWEALTH of VIRGINIA

## DEPARTMENT OF MEDICAL ASSISTANCE SERVICES

600 East Broad Street, Suite 1300

Richmond, VA 23219

November 4, 2008

### ADDENDUM No. 2 TO VENDORS:

Reference Request for Proposal: RFP 2008-07  
Dated: September 18, 2008  
Due: December 1, 2008

#### 1. §3.2 Goals of the Department

##### Second bullet – replace with the following:

Identification and substantiation of overpayments by providers due to abusive billing practices and regulatory and policy noncompliance.

##### Six bullet- Delete

Generation of recoveries without extrapolation that exceeds at least twice the proposed contract costs per fiscal year

#### 2. §3.6 Contractor Responsibilities

##### Delete:

k. Computer Equipment: The Contractor shall be responsible for providing all computer equipment necessary to perform the services required under RFP 2008-07, including dial-up capability in accordance with DMAS specifications.

#### 3. §3.8.3 Contractor Electronic Access to Department Data

##### Add:

##### Secure FTP

The vendor can access the First Health Secure File Transfer Server over the Internet. This product supports the FTPS (SSL FTP/AUTH SSL) protocol to secure all communications between the vendor and the server. An area on the server will be created for the vendor to PUT and GET files. Files that the vendor needs to upload to the Secure FTP server will be automatically be routed to their respective hosts without the vendor's interaction.

As a prerequisite prior to establishing the Secure FTP communications, a trading partner agreement must be completed.

First Health supports Secure sockets FTP over the Internet that complies with RFC 959, 1123, and 2228. The contractor is required to use a 128-bit SSL client software package, at the contractor's expense that supports passive mode. The fiscal agent also supports PGP.

**4. §3.8.5 DMAS Remote Access/Email Communications**

**Delete:**

Contractor usage of the DMAS Tumbleweed secure email system (restrictions and guidelines will apply).

**5. Delete previously revised §9.2 and replace with the following:**

**9.2 Proposal Evaluation Criteria**

<b>Criteria</b>	<b><u>Proposed Weights</u></b>
<b>1. General quality and adequacy of response</b>	<b>10%</b>
Agreement to comply with all general and specific requirements and conditions (Sections 3 and 4).	
Responsiveness to information furnished and goals Stated in Scope of Work (Section 3).	
Demonstrated knowledge of Medicaid eligibility State and Federal policies and procedures.	
Audit hours available to perform Department audits under contract.	
Clear understanding of the project as demonstrated in the responses to the RFP.	
Projected identified overpayment amount and non compliance rates the contractor estimates it will achieve as a result of this contract reviews and based on the contractor's experience.	
<b>2. Proposal/Work Plan for Completion of the Reviews</b>	<b>25%</b>
The clarity and completeness of the proposal related to the Offeror's approach to and completion of the audits and management of the assigned personnel.	
The lead-time to begin an audit, and the turn around time to complete the expected work.	
The work plan distribution of person hours for each part of the project	
<b>3. Contractor Qualifications</b>	<b>25%</b>
Qualifications of personnel	
Prior experience with similar projects.	
Identified conflicts	
Appropriateness of the relationship between staff qualifications and assigned responsibilities	
Capability of the personnel assigned to the project to audit for compliance with applicable state and Federal Medicaid eligibility regulations and policies, to determination a finding of misspent funds if appropriate, and to produce working papers that support conclusions reached in the audit engagement.	
Capability of the project director to successfully manage the project.	
<b>4. Quality of References</b>	<b>5%</b>
References who clearly address the nature of the work performed by the Offeror	
References who exhibit satisfaction with the work performed by the Offeror	

Contacts for other contracts who exhibit satisfaction with the work performed by the Offeror.	
<b>5. Small Business Subcontracting Plan</b>	<b>20%</b>
<b>6. Cost</b>	<b>15%</b>

**6. §11.7 e Termination**

**Delete and replace with the following:**

- e. Failure of the Contractor to meet the Department's identification and review targets may result in termination of the contract.

**Please see attached for DMAS responses to vendor questions.**

**\*\*Please note that the due date has been extended to December 1, 2008\*\***

Note: A signed acknowledgment of this addendum must be received by this office either prior to the due date and hour required or attached to your proposal response. Signature on this addendum does not substitute for your signature on the original proposal document. The original proposal document must be signed.

Sincerely,

*William D. Sydnor*

William D. Sydnor  
Contract Management Director

Name of Firm: \_\_\_\_\_

Signature and Title: \_\_\_\_\_

Date: \_\_\_\_\_

Vendor Questions and Answers  
RFP#: 2008-07 Audits

Question Number	RFP Section	Question/Comment	DMAS Response
1.	General	Is there an incumbent contractor? If so, please identify the contractor.	No
2.	General	Is there a contractor currently performing these duties? If so, who is the current contractor?	No
3.	General	Please provide the budget planned for this procurement	The department can not release budget information. However note that the Commonwealth is experiencing budgetary constraints.
4.	General	If a provider is authorized to provide multiple services and is billing for these services; is the audit of this provider to cover all services?	If a provider is authorized to provide more than one service, they maybe audited more than once since each audit would be per service.
5.	General	In several places in the RFP staff are referred to as auditors and reviewers. Are these titles being used interchangeably? If not, is there an anticipated difference in the training/qualifications and work responsibilities for these positions?	Yes, both of these terms refer to the individuals performing the audits.
6.	General	Will consideration be given to a company with an excellent proposal that would have higher start-up costs because of the need to start up a new office in the Richmond area?	An office in Richmond is not a requirement.
7.	General	Is it preferred that the contractor locate its office in close proximity to the DMAS office?	No. An office in Richmond is not a requirement.
8.	General	Please identify the companies that have submitted letters of intent.	That information is not available until after a Notice of Intent to Award is posted and then only to those firms that have submitted proposals.
9.	General	Will providers charge the Commonwealth or the contractor for copies of medical records required for desk audits?	No, the provider is responsible for the cost of copies.

10.	General	Is there a possibility of embedding some of the Contractor's staff within the DMAS office?	No
11.	General	If a CMS designated Medicare Quality Improvement Organization (QIO) performs medical record review for a state Medicaid program, the state may receive 75% enhanced federal financial participation (FFP) for those costs. Does the Commonwealth intend to take advantage of enhanced FFP for this contract, should the winner be a QIO?	Yes, if appropriate.
12.	1	What is the current number of Medicaid program eligibles? What is the number of CHIP program eligibles? What is the current number of Medicaid and CHIP eligibles in managed care versus FFS? (These questions are asked for database scoping purposes. We acknowledge that the audits will pertain only to the designated provider types.)	Various statistical data regarding the number of Medicaid program recipients and program services is available via the Statistical Record of The Virginia Medicaid Program And Other Indigent Health Care Programs. This document is posted on the DMAS website at <a href="http://www.dmas.virginia.gov">www.dmas.virginia.gov</a>
13.	1.1	Is either State staff or a vendor currently performing this scope of work? If so, can DMAS provide details regarding the recoveries by fiscal year from prior audit activities related to this scope of work? If a vendor is performing this scope of work, can DMAS provide the current annual contract amount?	This is a new project so previous recovery information is not applicable.
14.	1.1	In addition to identifying erroneous or abusive billing practices, does DMAS want auditors to review cases for quality utilization or medical necessity? If this is an option, should the Bidder incorporate the required effort and results associated with those activities in its cost proposal and in projected recoveries?	Yes, reviewing cases for quality and medical necessity can be an element of the review process. If recipients' do not meet the medical necessity or eligibility requirements for service, this is an overpayment issue.
15.	1.1	Are pharmacy claims included in the scope of claims to be reviewed? Does DMAS envision that review of pharmacy claims related for community Mental Health Service cases, particularly for cases involving substance abuse, could be included as part of the audit scope?	No, pharmacy reviews are handled by another contractor.
16.	1.1	Provider Auditing Services – How are the auditing results expected to be reported to the state? Can a secure portal be used to facilitate this communication?	Currently DMAS has encrypted email capability and this could be utilized to communicate audit results.

17.	1.2	Please provide a more detailed explanation of an error matrix. Is it provider specific or audit specific?	The error matrix is service specific. It is the “road-map” to performing a review and details the errors being evaluated.
18.	2.2	Please confirm the minimum number of audits per year. Is the number 70 from Table 1 in Section 2.2 of the RFP?	Yes
19.	2.2	Can the Department provide volume indicators for the FAMIS and Medicaid expansion claims? Also, what is the volume of encounter records for the eligibles enrolled in managed care?	No, in its effort to improve its audit processes DMAS believes contractors should propose the most efficient and cost effective claims volume.
20.	2.2	How many in-state and out-of-state desk top and on-site record reviews/audits were completed in the last year for each Community Mental Health and Behavioral Health provider identified?	<p>Outpatient Psychotherapy/SA = 42</p> <p>Therapeutic Day Treatment = 15</p> <p>Mental Health Support Services = 9</p> <p>Intensive In Home = 34</p> <p>Sa Day TX =1</p> <p>Sa Residential =1</p> <p>Crisis Intervention = 3</p> <p>Intensive Community Treatment = 3</p> <p>Psychosocial Rehab = 3</p> <p>Crisis Stabilization = 3</p> <p>Private ICF MR = 0</p> <p>All above done in-state</p>
21.	2.2	Table 1 sets the minimum number of audits to be performed the first year as 70. Does this mean 70 unique providers who may provide one or more services or may have several sites?	No, this does not mean 70 unique providers as one provider may deliver more than one service.
22.	3	The Contractor shall be responsible for auditing both in-state and out-of-state community mental health and other behavioral health. How many OOS providers? This will affect cost proposal for travel	The initial services included in the contract are covered mainly by in-state providers. There are two (2) providers with out of state addresses. They are within 50 miles of the Virginia border.
23.	3	Are the out-of-state providers primarily in states contiguous to Virginia? How many of the unique providers are out-of-state? Is there a listing/directory of providers?	There are two (2) providers with out of state addresses. They are within 50 miles of the Virginia border. A file of providers will be provided to the selected contractor.

24.	3	The Contractor shall be responsible for informing all Medicaid providers of selected mental health or other behavioral health services and professional associations related to the providers of the outsourcing of audits. What medium (mailing by HCE, submission for DMAS provider notifications, posting on DMAS site?)	The Contractor will propose a plan based on experience. However we do anticipate some MH association meetings, Medicaid memos and orientations.
25.	3	Does the contracted fixed flat fee paid each month represent 1/12 <sup>th</sup> of the annual contract value, or is some other methodology used?	Yes
26.	3.1	What are the requirements for the data mining system? Will the Commonwealth change these requirements periodically throughout the contract period?	The Contractor will propose a data mining plan based on experience.
27.	3.1	Will DMAS need to approve this before publication? The Contractor shall also be responsible for detecting patterns of overpayment abuse by specific providers using global analysis or error matrix, making referrals of such suspected abuse to the Division, conducting DMAS approved reviews and audits of providers identified as receiving overpayments (including associated on-site visits), sending overpayment letters, handling reconsiderations, and representing DMAS at resulting appeal proceedings (the Contractor should work in consultation with Department staff and as necessary with legal review by the Office of the Virginia Attorney General), and with making recommendations for preventative controls to DMAS.	Yes
28.	3.3	Is it correct to assume that the contractor is not required to do global analysis on the totality of the MCO encounter data, but rather, is to examine only the encounter data for the providers who exhibit aberrant billing behavior in the FFS program? Are the same provider numbers used in both the FFS and MCO programs?	Yes, before NPI MCO provider numbers may be different.
29.	3.3	Does the Department have an established random sampling methodology, or is the Contractor to propose the methodology?	The Contractor will propose the methodology based on experience.

30.	3.3	Can you provide an estimate for the number of audit conferences that may be required in a given year?	Audit conferences are the meetings with the Department face to face. Post implementation onsite meetings will be required quarterly.
31.	3.3	Can DMAS provide historical percentage of providers that have appealed and percentage elevated to 2 <sup>nd</sup> level review?	This information is not available.
32.	3.3	What process does DMAS expect to use for approving provider audits? As the audit results are determined by the quality and quantity of audits performed by the Contractor, DMAS cannot predict the number of appeals that shall be filed or number of hours requiring these essential Contractor services.	DMAS will provide a contract monitor that will review and approve all audit results.
33.	3.3	Is there an expectation of a specific minimum number of out-of-state audits to be completed?	There is no specific minimum that is currently outlined in the RFP.
34.	3.3	What other responsibility does the Contractor have in addition to notifying DMAS that a provider did not submit requested desk top records within 10 days from the date of request?	The auditors should be responsible for follow up protocols and the quantification and reporting of information as an element of their usual audit protocols.
35.	3.3	How many desktop reviews with various services are required?	Due to the current budgetary constraints that the Commonwealth is experiencing, the Department requests the vendor suggest the percentage of desk vs. onsite reviews.
36.	3.4	The RFP states that the contractor is required to attend all informal and formal proceedings, including the Administrative Law Judge and all court proceedings as determined by DMAS or the OAG which result from recovery efforts by the contractor. What meetings are permitted to attend via telephone versus being in person?	It is at the DMAS hearing officer's discretion if an informal fact finding conference can be conducted telephonically.  12VAC30-20-520. Provider appeals: general provisions. G. Whenever DMAS or a provider is required to attend a conference or hearing, failure by one of the parties to attend the conference or hearing shall result in dismissal of the appeal in favor of the other party.
37.	3.5	How many informal level and formal level appeals were conducted in 2007?	We do not have appeal information by service.



38.	3.6	Does the submission of time summary described on Page 26 of the RFP need to be collected by provider type or audit type, or both?	A time summary should be done for each audit performed. An aggregate by provider types could then also be compiled.
39.	3.6	The Contractor shall be responsible for providing all computer equipment necessary to perform the services required under RFP 2008-07, including dial-up capability in accordance with DMAS specifications.” What are the specifications for the “dial-up capabilities?” Is this intended to be a dedicated connection?	See Addendum #2 Item 2
40.	3.6	Is the “dial-up capability” to be available full time, or during business hours only?	See Addendum #2 Item 2
41.	3.6	Contractor Responsibilities—What are the standards for computer equipment, OS, Client Applications?	See Addendum #2 Item 3 The solution must fulfill the contract requirements.
42.	3.8.1	Contractor Data Transference—Will a secure portal using Microsoft SharePoint meet the data transference requirement?	See Addendum #2 Item 3 The proposed solution must meet the RFP requirements.
43.	3.8.1	Regarding the Contractor’s Data Transference from the Fiscal Agent The Department will provide technical assistance to the Contractor to ensure that appropriate transference of data occurs from the fiscal agent.  What is the nature of the technical assistance to be provided?	DMAS will be the liaison between the Fiscal Agent and the vendor. DMAS will ensure that the vendor receives the files in the agreed upon format and that the FTP process is tested with the vendor and the FA prior to production. After implementation, problems should be communicated through the DMAS Contract Monitor for resolution.
44.	3.8.1	Will the Department assist with issues on an on-going basis regarding appropriate transference of data from the fiscal agent?	DMAS will ensure that the Fiscal Agent meets the terms agreed upon to produce the interface files and transfer the data. It is the vendor’s responsibility to provide technical staff in support of the RFP requirements.
45.	3.8.2	What format standards are used for the data formats? XML?	XML is not used. The standard format is a fixed length flat file.
46.	3.8.2	What server software and version is used to allow us to pull data files using SFTP? Are we expected to provide a scheduling capability?	The vendor should propose a solution that meets the RFP requirements. The vendor is not expected to provide a scheduling capability.

47.	3.8.2	<p>“The Contractor shall not have direct access to VAMMIS. The Contractor is expected to conduct all processing on its own hardware and software and must be able to receive and load the following data files to be used for the sole purpose of auditing functions for Virginia Medicaid: provider, eligibility, and encounter and claims data. From the interfaces provided, the Contractor shall complete all data mapping necessary to perform auditing functions and submit information to the Department and respond to information provided by the Department at no cost to the Department. This will consist of a cross-reference map of required VAMMIS data and Contractor system data elements and data structures. The Department will use existing data formats (to be provided to those interested parties that submit the required letter of intent) as much as reasonably practicable as determined by DMAS and make the data formats available to the Contractor upon award. “</p> <p>Is there a transmittal issued with the data so that quality checks can be performed by the contractor?</p>	No
48.	3.8.2	Will these data files be encrypted, and, if so, by what means?	See Addendum #2 Item 2 Initially if the files must be sent via CD, the files will be zipped and password protested. Through the FTP process, the files are PULLED from the secure FTP server, which is password protected.
49.	3.8.2	Will the data contained in these three files be EBCDIC or ASCII?	ASCII
50.	3.8.2.1	Is the “provider eligibility information” mentioned in Section 3.8.2.1 in a file that is separate from the VAMMIS provider file mentioned in Section 3.8.2? If so, can the Department provide descriptive information about the file layout? Or, is the “provider eligibility information” the same as the “provider file”?	Samples of the existing file layouts are included in the answers to the questions as an attachment. This includes recipient, provider, and CMS 1500 claims data. The encounter extract will be similar to the CMS 1500 claims data. Upon award it may be necessary to re-examine the data that is needed to fulfill the RFP requirements.

51.	3.8.4	<p>Contractor Database and Processing System</p> <p>In addition, the Contractor must provide DMAS with remote access (read-only) to the Contractor's computer system with respect to all Virginia Medicaid audit requirements/activities. This database shall be the property of the Department. In order to meet information system requirements and to support the timely provision of ad hoc report requests that may be made by the Department, the Contractor shall maintain a HIPAA compliant database, in a format acceptable to the Department and utilizing the MMIS provider, recipient, and claims and encounter data received via the FTP process. The database shall be capable of maintaining and recording participant Protected Health Information (PHI) for the Department's auditing functions; and retrieving data on a short notice. Data stored in the database shall be current on a daily basis, based on the updates received from the Department's fiscal agent and the Contractor's interaction with that data and should be routinely backed up either manually or with appropriate software. Are standards available regarding what format will be acceptable to the Department?</p>	The vendor must use a 128 bit secure web portal to their application.
52.	3.8.4	Is it a requirement that the data received via the FTP process be stored in the same physical database as the information collected from the Audit process?	The data will be PULLED by the vendor from the FA's FTP server is not required to be in the same physical database as the information collected from the audit process, unless this limits DMAS' capability viewing information in the vendors system.
53.	3.8.5	Please describe DMAS Tumbleweed secure email system.	Contractors will use encrypted TLS email between all their email domains and the DMAS email domain. DMAS does not dictate Tumbleweed. See Addendum #3
54.	3.8.5	What version of Tumbleweed is the State currently using? When is this software updated?	See Addendum #2 Item 2
55.	3.8.6	Is Microsoft SharePoint 2003 an acceptable solution? Citrix? VPN?	There will be no direct connection between DMAS and the vendor. The solution must meet the RFP requirements.
56.	3.8.7	Is there a connection fee associated with the FHSC Secure File Transfer Server over the Internet that will be charged by First Health?	No

57.	3.9	The RFP requires a qualified medical physician with a valid Virginia license. Is there a preference for the physician (e.g., psychiatrist versus general practitioner)?	A psychiatrist would be the preferred qualified medical physician. Case management services and some other services do not need a psychiatrist to evaluate.
58.	3.9	How many medical necessity determinations and/or peer to peer counseling were performed by a qualified medical physician in 2007? Was that a psychiatrist or physical medical physician?	DMAS enlisted the professional guidance and clinical judgment of a psychiatrist for program and utilization review issues eighteen (18) times last year.
59.	3.10.1	The RFP states that, "the subcontractor shall not enter into any subsequent agreement or subcontracts for any of the work contemplated under the subcontract for purposes of this RFP, without prior approval of the Department." Is it correct to assume that the Department's intention is not to prohibit the subcontractor from engaging in similar work for other clients?	Yes
60.	3.11	The RFP implies that the contract start date and the Implementation date are one and the same – February 13, 2009. Would it be reasonable to assume that the Department will permit there to be an implementation period lasting approximately 60 days before the onset of audit operations? Therefore, is February 13, 2009, the contract start date, with the implementation period to be concluded approximately 60 days later, or April 13, 2009?	The contract start date will be approximately early February 2009. Early March 2009 will be the implementation date.
61.	3.11	The RFP states that "This matrix shall be approved by the Department prior to conducting reviews. These documents will be due to the Department within 45 days of the contract's effective date." What is considered the effective date (or approximate)?	The contract start date will be approximately early February 2009.
62.	4.0	Can reports be delivered electronically through a secured portal?	Yes
63.	7.1	Can DMAS provide an estimate of number of training hours? Travel expenses for off-site travel to and from provider sites in the performance of auditing or other services will be in like manner identified by type of out-of pocket expense, by provider and provider period and summarized by type of service performed and in total.	The Contractor is not to provide training sessions; that is the responsibility of the Department.

64.	7.1	Does this mean the contractor would bill separately for travel expenses?	The contractor should detail travel expenses on the monthly invoice. The contractor will be paid a monthly fixed flat fee.
65.	8.2	For vendors with many State government clients, securing references and State official signatures from each government agency will be a considerable undertaking, burdensome on both State officials as well as bidders. Does DMAS require references from all State clients even if the scope of work performed for those State clients is not of a similar scope to the scope of work in this RFP? Is it acceptable for a Bidder to submit a completed and signed RFP Attachment I (reference form) for each of three references in addition to one for each state government client that receives services of a similar scope to the one procured by DMAS?	It is acceptable for a Bidder to submit a completed and signed RFP Attachment I (reference form) for each of three references in addition to one for each state government client that receives services of a similar scope to the one procured by DMAS.
66.	8.2	If a Bidder submits a corporate reference from its proposed subcontractor, must the subcontractor also submit completed RFP Attachment I for all of its state government clients, even if the scope of work for those clients is not similar to the scope of work under this RFP?	No
67.	8.2	Is a faxed copy of a signed RFP Attachment I from a state client (i.e., non-original signature) acceptable?	Yes
68.	8.2	Is it acceptable to include DMAS as one of the Bidder's three references?	Yes
69.	8.6	Please describe the nature of a client relationship, contract, or agreement that a Bidder or its related entity would have with any State or local government entity that is a Medicaid and/or Title XXI State Child Health Insurance Program provider or Contractor that might pose a conflict of interest under this procurement. For example, if a Bidder or subcontractor were contracted with the Commonwealth to perform work on behalf of State operated mental health facilities, could that pose a conflict of interest?	The contractor must seek advice from its own legal counsel.
70.	8.10	What is the contract award date?	We anticipate the contract to be awarded in February 2009.

71.	9.2	The projected recoveries and how the Contractor shall achieve the recoveries by the end of each State fiscal year of at least twice its contracted costs. How much money was recovered last year?	See attachment #2 Item 5 This is a new project so previous recovery information is not applicable.
72	9.2	In reference to the Proposal Evaluation criteria, Item Five - Proposed Recoveries to Administration Cost Methodology, what is the maximum additional points a Contractor may receive in the cost proposal when the proposed methodology guarantee recoveries without extrapolation?	See addendum # 2 Item 5
73.	9.2	Will a Bidder that is a QIO-like entity receive enhanced evaluation consideration if there is a federal match of 75% for the funding of the procured services	No
74.	9.2	Other than the Small Business Subcontracting Plan which is valued at 20% of the overall score, what are the percentage values of the remaining six evaluation criteria?	See addendum #2 Item 5
75.	9.2	Section 9.2, item 1 requires that projected identified overpayments must exceed a minimum of twice the contract costs. Please provide the formula for calculation of this amount. For example, is it based on the total annual contract value for one year compared to the total amount of overpayments identified by the contractor in the same year; or is it the <u>state's share</u> of contract costs and the <u>state's share</u> Medicaid service costs? If the contractor is a QIO and can leverage 75% FFP for review costs, will the contract cost, then be viewed as 25% of the total contract value?	See addendum #2 Items 5 It is based on the total contract costs.
76.	9.2	Please clarify the Small Business Contracting Plan. Item 6 on page 52 indicates that the Small Business Subcontracting plan is 20%. Is that percentage a percentage of the overall contract value or is it the weight of the plan in the evaluation of the proposal	20% is the criteria weight in the evaluation process.